

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA,

Plaintiff,

-against-

BANK OF CYPRUS  
PUBLIC COMPANY LIMITED,

Defendant.

Index No.: 07 CIV 9234 (CSH)

# EXHIBIT 6

DECLARATION OF JOHN FELLAS IN SUPPORT OF BANK OF CYPRUS  
PUBLIC COMPANY LIMITED'S MOTION TO DISMISS THE COMPLAINT

May 17, 2001

## **THE MARKETS: Market Place; Wall Street's New Interest In Bulgaria**

By ALEX BERENSON

Wall Street developed a sudden interest in Bulgaria this week, as investors scrambled to get the facts about AremisSoft, an obscure software company with a supposedly rich contract to overhaul Bulgaria's health information network.

AremisSoft officials maintain the Bulgarian deal is worth \$37.5 million. Last year, the company booked \$7 million in sales under the contract, accounting for more than 5 percent of its total revenue.

But documents filed by the company last year with the Securities and Exchange Commission, along with comments this week by officials of the World Bank and Bulgaria, indicate the value of the contract is less than \$4 million.

This discrepancy is just one of the problems weighing on the stock of AremisSoft, which has a market value of \$600 million and is listed on the Nasdaq stock market. The company lists its headquarters as being in Westmont, N.J., but the vast majority of its business comes overseas and its top officers work from London.

The top two executives have used blind trusts to sell more than 10 million shares of stock in the last year. Another executive, John Picardi, was once suspended from practicing as an accountant before the S.E.C. for violating federal securities laws.

AremisSoft said its executives sold the shares for tax and estate planning reasons and that it stood behind Mr. Picardi, who was reinstated by the S.E.C. in 1999.

Since Monday, as concerns have spread, shares of AremisSoft have fallen more than one-quarter in extremely heavy trading. Over 22 million shares, equal to half the AremisSoft shares outstanding, have changed hands in the last two days. AremisSoft fell \$1.65, or 11 percent, to close yesterday at \$13.28.

In a December 1999 news release, AremisSoft "announced the signing of a \$37.5 million agreement to automate the nationwide health care system of Bulgaria." With \$63 million in financing from the World Bank, Bulgaria plans to build a data network connecting doctors, hospitals and its central National Health Insurance Fund.

But the actual Bulgarian contract, which AremisSoft filed with the S.E.C. in March 2000, has a value of about 7.08 million leva, or less than \$4 million. The contract also contains unsigned appendixes in which AremisSoft and the Bulgarian government promise to negotiate over two other software packages worth a total of \$29 million.

On Tuesday, Paul I. Bloom, AremisSoft's executive vice president, said those two appendixes were part of the contract. "We stand by our characterization of the contract," Mr. Bloom said. "This is the biggest contract we've ever won." Mr. Bloom said he did not know if the appendixes had ever been signed.

But Dr. Boyan Doganov, the director of Bulgaria's health sector reform project, said yesterday that the contract's appendixes had not been signed and that it was worth only 7.08 million leva. "I can assure you that this is the sum," he said.

Dominic Haazen, senior health specialist at the World Bank, said the first phase of Bulgaria's project cost only \$28 million, including buildings, furniture and hardware, and software was only a fraction of the total. No software contracts have yet been signed for the second phase of the project, Mr. Haazen said.

Roys Poyiadjis, AremisSoft's co-chief executive, offered another explanation for the discrepancy yesterday. Some of the \$7 million in revenue AremisSoft recognized from the contract last year, and the \$1 million it recognized in its March quarter, may have come from "a separate invoicing," Mr. Poyiadjis said, suggesting that the company may have been paid for work that was not included in the original contract. "AremisSoft is extremely consistent and conservative with its revenue recognition," he said.

Last year, Mr. Poyiadjis transferred his stake in AremisSoft, almost 1.6 million shares and 2.9 million stock options, into a blind trust whose beneficiaries are his family. Lycourgos Kyprianou, the founder and chairman of AremisSoft, set up two similar blind trusts last year and transferred 3.2 million shares and 2.9 million options into them.

The trusts of the two men have since sold all 4.8 million shares and exercised the options for nearly all 5.8 million shares and sold them, according to a March S.E.C. filing.

"Nobody liked what he did," Mr. Bloom said of Mr. Poyiadjis. "There's nothing good you can say about it, except that he did it for tax reasons."

Mr. Poyiadjis said that he transferred his shares and options for tax planning reasons and that Mr. Kyprianou, who still owns about 3.8 million shares, had done so for estate planning reasons. Mr. Poyiadjis said he bought 100,000 shares on Tuesday. "That's a trust that wasn't just created to move the stock of AremisSoft so it could be sold," Mr. Poyiadjis said of his trust.

Mr. Poyiadjis said the plunge in AremisSoft stock was caused by short-sellers, who profit when a company's shares decline. AremisSoft issued a statement yesterday attacking "spurious and unsubstantiated rumors the company believes are being disseminated by short-sellers."

The short-sellers "have to have a little respect for the people who run the company," Mr. Poyiadjis said. He urged investors who have questions about AremisSoft to call him.

The battle between longs and shorts heated up on Tuesday, when Irwin Jacobs reported in regulatory filings that he had bought 5.8 percent of AremisSoft. Mr. Jacobs is a Minneapolis-based financier who has made hundreds of millions of dollars buying shares of Consec, another heavily shorted stock. But Mr. Jacobs did not actually buy any AremisSoft shares. Instead, he bought options from Credit Suisse First Boston that gave him the right to buy shares at set prices over the next year.

Mr. Jacobs said because of the way his agreement with Credit Suisse is structured he had little choice but to exercise the options. "I've got to pay a huge price if I walk," he said. "Many dollars." He declined

to say how many. Mr. Jacobs said he was comfortable with the Bulgarian agreement. "I've done my homework on this. I had lawyers in Bulgaria."

One of the two analysts who have recent reports on the company, Laura J. Lederman of William Blair & Company, suspended her long-term buy rating on AremisSoft on Tuesday. Ms. Lederman declined to comment for this article.